

Message Text

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TO AMEMBASSY TAIPEI
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USLO PEKING

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EXDIS

E.O. 11652: XGDS-3

TAGS: MNUC, ETRD, EFIN, EAIR, TW

SUBJECT:EA/ROC WEEKLY STATUS REPORT

1. NUCLEAR TEAM VISIT (SECRET/EXDIS)

THE INTERAGENCY NUCLEAR TEAM THAT CONDUCTED A THOROUGH REVIEW OF NUCLEAR R & D EFFORTS IN TAIWAN LAST WEEK DID NOT DISCOVER ANY EVIDENCE OF ACTIVITIES AT INER NOT IN COMPLIANCE WITH OUR AGREEMENTS. THE TEAM, ACCOMPANIED BY AMBASSADOR UNGER CALLED ON THE SENIOR ROC MILITARY R & D OFFICIAL AND IMPRESSED ON HIM THE DIRE CONSEQUENCES THAT WOULD RESULT FROM ANY NUCLEAR WEAPONS RELATED RESEARCH IN VIOLATION OF THE ROC'S COMMITMENTS. THE TEAM WAS ABLE

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TO RAISE THE LONG TROUBLESOME LASER ISOTOPE SEPARATION (LIS) ISSUE AND EMPHASIZED THAT THE U.S. WOULD HAVE PROBLEMS WITH ANY LIS RESEARCH IN THE ROC. THE TEAM ALSO STRESSED TO FOREIGN MINISTRY OFFICIALS THE IMPORTANCE OF THE ROC-S EXERCISE OF GREATER CONTROL OVER THE MILITARY'S INTEREST IN NUCLEAR RESEARCH. WE WILL LOOK CAREFULLY FOR INDICATIONS OF THE ROC'S REACTION TO THE VISIT.

2. US/ROC TRADE GAP WIDENS (UNCLASSIFIED)

OFFICIAL COMMERCE DEPARTMENT TRADE FIGURES (F.A.S. BASIS) WHICH HAVE JUST BECOME AVAILABLE FOR THE FIRST HALF OF 1978 REVEAL THAT THE U.S. DEFICIT IN BILATERAL TRADE WITH TAIWAN INCREASED SHARPLY. U.S. IMPORTS FROM THE ROC IN FINANCIAL TERMS JUMPED TO \$2,327 MILLION, A 35P INCREASE OVER THE FIRST SIX MONTHS OF 1977. AMERICAN EXPORTS TO TAIWAN GREW BY ONLY 13P TO \$1,130 MILLION, LEAVING A DEFICIT OF ALMOST \$1.2 BILLION. ACCORDING TO ROC CUSTOMS FIGURES, TAIWAN BECAME EVEN MORE DEPENDENT ON THE U.S. MARKET DURING THE FIRST HALF OF THE YEAR WHEN AMERICAN CUSTOMERS PURCHASED 41P OF ITS EXPORTS, ALMOST THREE PERCENTAGE POINTS HIGHER THAN DURING THE FIRST HALF OF 1977.

3. U.S. DOLLAR FORWARD MARKET (LIMITED OFFICIAL USE)

THE EMBASSY REPORTS THE LIKELIHOOD OF A U.S. DOLLAR FORWARD MARKET BEING ESTABLISHED THIS MONTH IN TAIPEI. A FORWARD MARKET ALREADY EXISTS FOR SEVERAL EUROPEAN CURRENCIES. ESTABLISHMENT OF A SIMILAR MECHANISM FOR THE U.S. DOLLAR WOULD PAVE THE WAY FOR ANOTHER RE-EVALUATION OF THE NEW TAIWAN DOLLAR AND FOR THE EVENTUAL FLOATING OF THE ROC'S CURRENCY. A RISE IN THE VALUE OF
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THE NT\$ SEEMS INEVITABLE IN THE WAKE OF THE CONTINUING INCREASE IN THE VALUE OF THE JAPANESE YEN. JAPAN IS TAIWAN'S SECOND MOST IMPORTANT TRADING PARTNER, AFTER THE U.S., AND ITS LARGEST SOURCE OF IMPORTS.

4. US/ROC TRADE TALKS -- SECOND ROUND (L-O-U)

ASSISTANT SPECIAL TRADE REPRESENTATIVE STEPHEN LANDE WILL STOP IN TAIPEI FOR TWO DAYS IN MID-AUGUST FOLLOWING A TRIP TO HONG KONG FOR NON-RUBBER FOOTWEAR NEGOTIATIONS. THE ROC STILL HAS NOT REPLIED TO OUR INITIAL OFFER AND REQUEST LISTS FOR TARIFF REDUCTIONS, BUT LANDE'S VISIT SHOULD BE USEFUL IN SPEEDING UP THE NEGOTIATING PROCESS. IT IS NOT YET CLEAR WHETHER OTHER AGENCIES NORMALLY REPRESENTED ON BILATERAL TRADE NEGOTIATING TEAMS WILL SEND SOMEONE TO TAIPEI TO ACCOMPANY LANDE.

5. AIRBUS/DC-10 IMBROGLIO CONTINUES (CONFIDENTIAL)

THE EMBASSY CONTINUES TO PRESS VIGOROUSLY FOR AN ROC DECISION TO PURCHASE DC-10S FOR CHINA AIRLINES INSTEAD OF THE AIRBUS. AMBASSADOR UNGER HAS SEEN PRIME MINISTER

SUN AND JOE KYLE HAS LOBBIED Y. S. TSIANG, SECRETARY-
GENERAL IN THE PRESIDENT'S OFFICE. MEANWHILE MCDONNELL-
DOUGLAS CONTINUES ITS OWN LOBBYING ACTIVITIES ON THE
HILL AND WITH STATE, COMMERCE, TREASURY ET AL. ALTHOUGH
THE PARIS LANDING RIGHTS WHICH THE AIRBUS CONSORTIUM
REPORTEDLY HAS OFFERED WOULD BE A POWERFUL LURE, WE THINK

WE'VE RAISED SUBSTANTIAL QUESTIONS IN THE G OC'S
COLLECTIVE MIND AS TO WHETHER AIRBUS WILL BE ABLE
TO DELIVER.
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